

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

ARA-06 L-02 H-02 PRS-01 USIE-00 SSO-00 NSCE-00 INRE-00

/085 W

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O 261607Z MAR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 8967

INFO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 BONN 04989

E.O. 11652: GDS

TAGS: EFIN, CI

SUBJECT: FRG VIEWS ON PARIS CLUB

REF: 1) STATE 63962, 2) BONN 4687

1. SUMMARY: AFTER FURTHER REFLECTION, FRG HAS  
DECIDED THAT US SUGGESTIONS FOR ALTERNATIVE  
INSTITUTIONAL ARRANGEMENTS EITHER ENTAIL SERIOUS POLITICAL  
PROBLEMS OR RISK FURTHER CONFRONTATION WITH LDC'S AND  
EVENTUAL WEAKENING OF POSITION OF CREDITOR COUNTRIES.  
FRG WANTS INSTEAD TO SEE WHETHER PARIS CLUB AS  
PRESENTLY CONSTITUTED CAN BE MAINTAINED, AND  
SUGGESTS THAT NEW RULES BE ESTABLISHED WHICH WOULD  
GIVE LARGE CREDITORS THE POWER TO DETERMINE  
WHETHER A MEETING OF THE PARIS CLUB SHOULD BE I CONVENEDV.  
FRG STILL PRESSING FOR CREDITORS MEETING IN MID-  
APRIL, FOLLOWED QUICKLY BY PARIS CLUB MEETING.  
END SUMMARY

2. ECONMIN DEPUTY ASSTSEC MUELLER-THUNS AND GEHRING,  
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HIS EXPERT FOR DEBT PROBLEMS, HAVE GIVEN US FOLLOWING

RESPONSE TO US PROPOSALS. WHILE THEIR RESPONSE WAS INFORMAL, THEY INDICATED THAT IT REFLECTED VIEWS OF OTHER FRG MINISTRIES INTERESTED IN DEBT PROBLEMS.

3. PROPOSALS FOR ALTERNATIVES TO PARIS CLUB. MUELLER-THUNS BELIEVES THAT ANY ATTEMPT TO KICK OUT NEBOT WOULD HAVE UNACCEPTABLE POLITICAL CONSEQUENCES. FRENCH WOULD CONSIDER THIS AN AFFRONT ON PART OF FRG AND US. MOREOVER, PROPOSAL TO FIND A NON-EC HOST WOULD BE DEEMED AN ATTACK ON EC. WE POINTED OUT THAT DEBT RESCHEDULING ISSUES HAVE NOT IN PAST BEEN A MATTER FOR EC COORDINATION, AND THAT US PROPOSAL WAS INTENDED TO EASE PROBLEM OF PARTICIPATION BY INDIVIDUAL EC COUNTRIES. MUELLER-THUNS AGREED THAT EC COUNTRIES HAVE NOT COORDINATED THEIR POSITIONS IN PAST, BUT NOTED THAT ART 113 OF ROME TREATY GIVES COMMUNITY A MEASURE OF COMPETENCE IN THIS AREA.

4. DRAWBACK IN USING OECD IS THAT LDC'S VIEW IT AS RICH MAN'S CLUB, OPERATING ON BASIS OF RULES FAVORING WEALTHY CREDITOR COUNTRIES. FROM THIS POINT OF VIEW, IMF FRAMEWORK WOULD BE PREFERABLE, SINCE ITS MEMBERSHIP INCLUDES CHILE AND OTHER DEBTOR COUNTRIES. HOWEVER, AS LDC'S MADE IT CLEAR IN UNCTAD EXPERT GROUP MEETING ON DEBT PROBLEMS, THEY WANT TO DO AWAY WITH CREDITOR CLUBS, AND TO CONDUCT DEBT RESCHEDULING EXERCISES UNDER UNCTAD SUPERVISION. MUELLER-THUNS FEARS THAT ANY INITIATIVE BY CREDITORS TO MOVE EXERCISE INTO IMF FRAMEWORK WOULD GIVE FURTHER AMMUNITION TO THOSE WHO ADVOCATE UNCTAD APPROACH. IN SUMMING UP, MUELLER-THUNS SAID THAT FRG WAS STRICTLY AGAINST PROPOSAL TO FIND ANOTHER HOST GOVERNMENT, THAT IT WAS AGAINST PROPOSAL TO USE OECD, AND THAT IT HAD STRONG HESITATIONS ABOUT USING IMF.

5. CREDITORS MEETING. MUELLER-THUNS REITERATED FRG INTEREST IN HOLDING SEPARATE MEETING OF CREDITORS  
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AS EARLY AS POSSIBLE AFTER EASTER HOLIDAYS, TO DISCUSS (1) RULES FOR THE PARIS CLUB, AND (2) WHAT TO DO ABOUT CHILE THIS YEAR. HE RECOMMENDS THAT POLITICAL PROBLEMS AND FRENCH ACTION IN POSTPONING MARCH 24-25 MEETING BE DOWN PLAYED, AND THAT WE TREAT POSTPONEMENT AS SIMPLY A TECHNICAL MATTER. HOWEVER, HE SHARES US VIEW THAT DECISION WHETHER TO HOLD PARIS CLUB MEETING SHOULD NOT BE DETERMINED BY

COUNTRIES HAVING SMALL FINANCIAL STAKE IN RESCHEDULING  
EXERCISE. HE THEREFORE PROPOSED THAT DECISION TO  
CONVOKEMEETING BE MADE BY WEIGHTED VOTE.  
IF CREDITORS WITH TWO-THIRDS OR PERHAPS THREE-FOURTHS  
OF TOTAL LIABILITIES FALLING DUE IN 1975 WOULD WANT  
TO HOLD MEETING, THEN IT SHOULD BE CONVOKED. IN  
PARIS CLUB MEETING ITSELF, RULE OF ONE COUNTRY HAVING  
ONE VOTE WOULD BE RETAINED. FRG HAS BEEN SOUNDING OUT

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FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 8968

INFO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L SECTION 02 OF 02 BONN 04989

OTHER CREDITOR COUNTRIES, AND MUELLER-THUNS NOTED  
THAT SPAIN HAS EXPRESSED SUPPORT FOR THIS APPROACH.  
HE WOULD LIKE TO HAVE US THOUGHTS BY END OF NEXT  
WEEK, FOR HE WOULD LIKE TO GIVE NEBOT SOME  
INDICATION OF SUCH PROPOSALS TO CHANGE PARIS CLUB  
RULES PRIOR TO CREDITORS MEETING.

6. FRG NEGOTIATING GOALS. WHILE INDICATING A  
DESIRE TO MINIMIZE POLITICAL CONSIDERATIONS IN  
PARIS CLUB DELIBERATIONS, MUELLER-THUNS WARNED THAT  
THEY COULD NOT BE AVOIDED ALTOGETHER. AT THE

TIME THE SPD PARLIAMENTARY CAUCUS GAVE ITS APPROVAL  
TO FRG PARTICIPATION, IT STIPULATED THE FOLLOWING  
THREE CONDITIONS: (1) OBTAIN HARDER CREDIT  
CONDITIONS THAN LAST YEAR, (2) OBTAIN ACCEPTANCE BY  
CHILE OF PRINCIPLE OF EQUAL TREATMENT AS BETWEEN  
PRIVATE AND OFFICIAL CREDITORS AND (3) THE RESTORATION OF  
PEACEFUL AND DEMOCRATIC CONDITIONS IN CHILE.  
WHILE THESE CONDITIONS DO NOT BIND THE GOVERNMENT,  
MUELLER-THUNS VERY MUCH DOUBTS THAT FRG WOULD BE  
AUTHORIZED PARTICIPATE IN FUTURE PARIS CLUB MEETINGS  
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IF IT DOES NOT TRY OBTAIN EACH OF THESE GOALS,  
INCLUDING THAT OF ADDRESSING POLITICAL ISSUE.

7. MUELLER-THUNS WARNED THAT SECOND SPD CONDITION  
OPENS UP A SENSITIVE ISSUE, FOR IT IS AIMED AT  
COMPENSATION PAID TO LARGE US MNE'S, AT EXPENSE  
OF FRG AND OTHER CREDITORS. HE UNDERSTAND HOWEVER THAT  
COMPENSATION TO KENNECOTT IS ROUGHLY IN PARALLEL  
WITH REPAYMENTS TO CREDITORS.  
IF WE CAN PROVIDE DATA SHOWING THERE IS A  
CONVINCING PARALLEL BETWEEN COMPENSATION TO MNE'S  
SUCH AS KENNECOTT, ITT, AND ANACONDA AND PREVIOUS  
DEBT RESCHEDULING, THE FRG WILL NOT BE OBLIGED  
TO PURSUE THIS GOAL. DATA ON SUCH COMPENSATION  
WOULD HAVE TO BE PRECISE AND DETAILED.  
HILLENBRAND

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